

Department Administered Programs . . .

Organizational Charts

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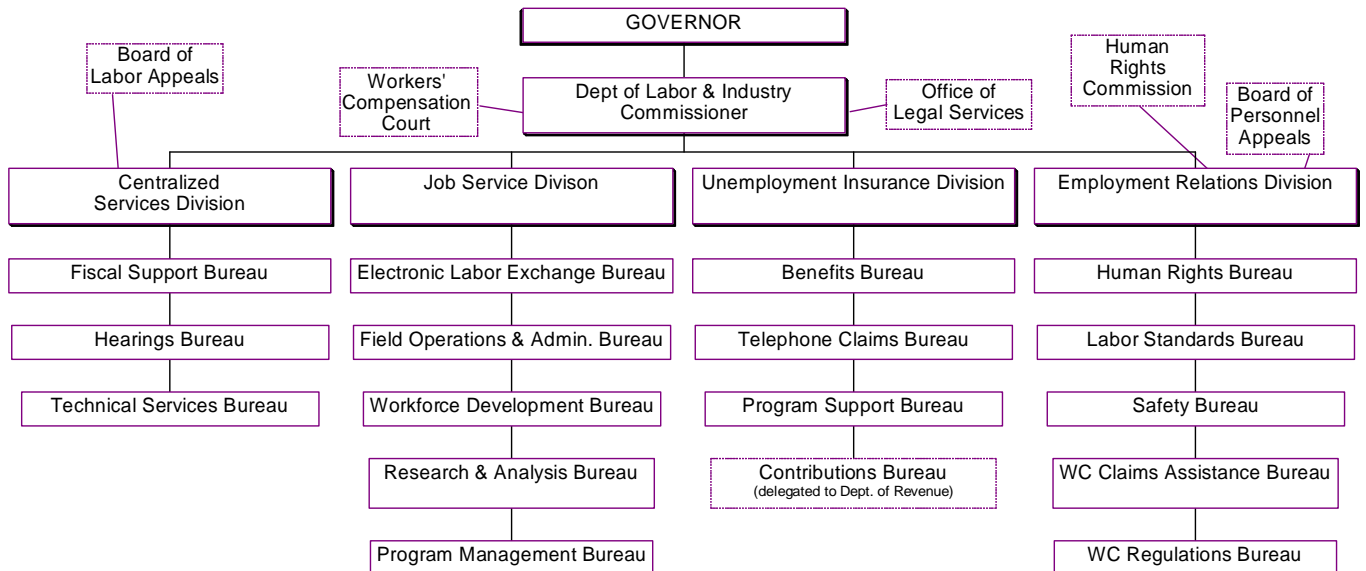
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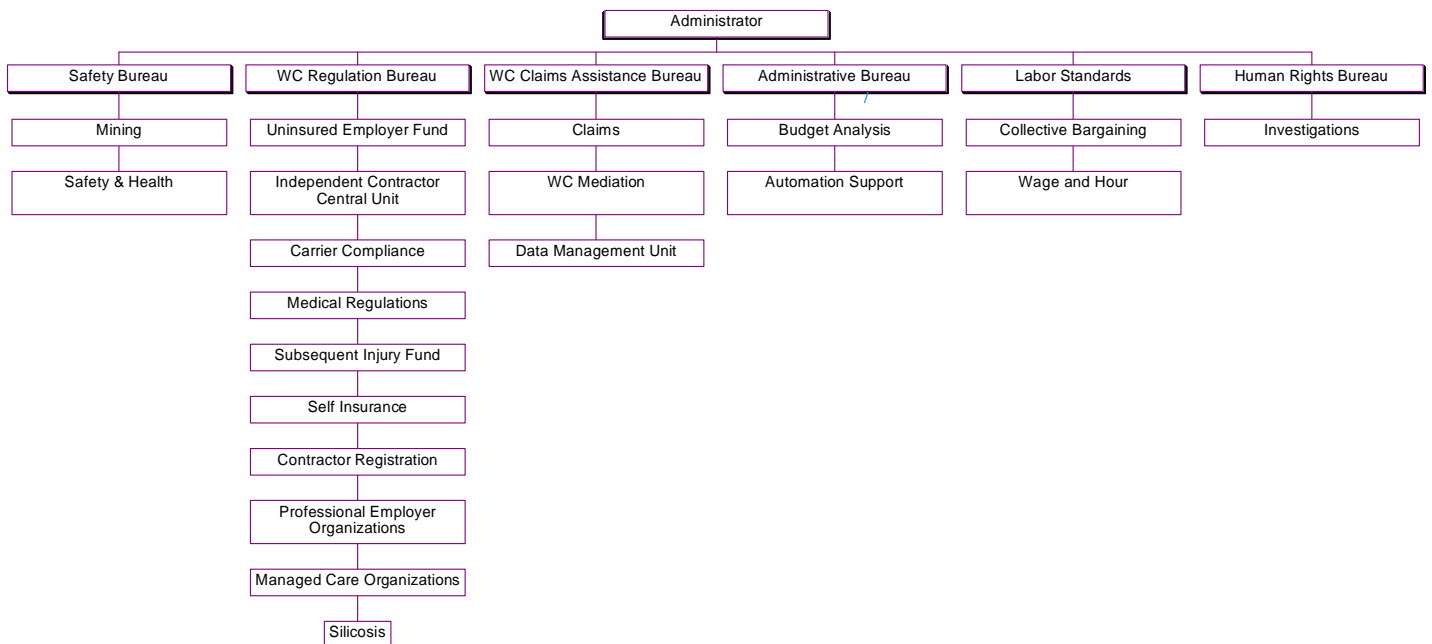
Organizational Charts

Montana Department of Labor & Industry



Employment Relations Division Montana Department of Labor & Industry

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Regulatory Costs

The cost of administering the Workers' Compensation and Occupational Disease Acts and the various occupational safety laws is funded by an assessment to Plan 1 (self insurers), Plan 2 (private insurance carriers), and Plan 3 (State Fund). § 39-71-201, MCA, requires the administrative assessment to be 3% of benefits paid during the preceding calendar year for injuries covered under the Workers' Compensation Act and the Occupational Disease Act, without regard to the application of any deductible, whether the employer or the insurer pays the losses. Benefits included in the calculation are: (1) compensation benefits paid, and (2) medical benefits paid (except payments in excess of \$200,000 per occurrence, which are exempt from the assessment).

Regulatory functions performed by the Department of Labor and Industry

- Legal functions of the Workers' Compensation Court, Hearings and Legal Bureaus
- Administration of the Employment Relations Division, including the Workers' Compensation Database
- Claims management, data analysis, rehabilitation panels, mediation, and administration functions of the Claims Assistance Bureau
- Medical regulation, self-insurance, carrier compliance, Professional Employer Organizations, Managed Care Organizations and administration functions of the Regulation Bureau
- Occupational safety statistics, mandatory inspections, on-site consultation grant match, mining inspection, mine training grant match, and safety culture functions of the Safety Bureau

Regulatory Cost By Fiscal Year

	FY97	FY98	FY99	FY00	FY01
Regulatory Costs	\$3,429,653	\$3,816,458	\$3,963,315	\$3,954,650	\$3,947,729

Subsequent Injury Fund

The Subsequent Injury Fund (SIF) was established by legislation passed in 1973. The purpose of SIF is to assist individuals with impairments to obtain employment by offering a financial incentive to employers for hiring SIF-certified individuals. Many states have similar funds called either subsequent or second injury funds. Montana's program is funded through an annual assessment on Plan 1 employers and an assessment surcharge against policyholders insured under Plan 2 and Plan 3.

The law defines "person with a disability" as a person who has a medically certifiable permanent impairment that is a substantial obstacle to obtaining employment or re-employment. Also taken into account are such factors as the person's age, education, training, experience and employment rejections.

The Subsequent Injury program reduces the liability of the employer by placing a limit on the amount an employer, or the employer's insurer, will have to pay if the worker becomes injured or re-injured on the job. When that limit is reached, SIF assumes liability for the claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act and Occupational Disease Act.

There were 166 new SIF certifications during fiscal year 2001. There are a total of 2,859 SIF certified individuals in the state of Montana.

The assessment surcharge is based on a percentage of the compensation and medical benefits paid in Montana by each plan in the preceding calendar year. The rate is set by the Employment Relations Division based on the total amount of paid losses reimbursed by the fund in the preceding calendar year and the expenses of administration, less other income.

Subsequent Injury Fund Claims By Plan – FY01

	Plan 1	Plan 2	Plan 3	Total
New Claims Filed	1	1	0	2
Number of Open Claims	32	7	16	55
Reserved Amount*	\$451,405	\$349,565	\$184,478	\$985,448

Notes:

*Reserved amount is the dollar amount set aside to pay the expected future cost of the claims.

SIF Payments and Dollars Assessed By Plan & Fiscal Year

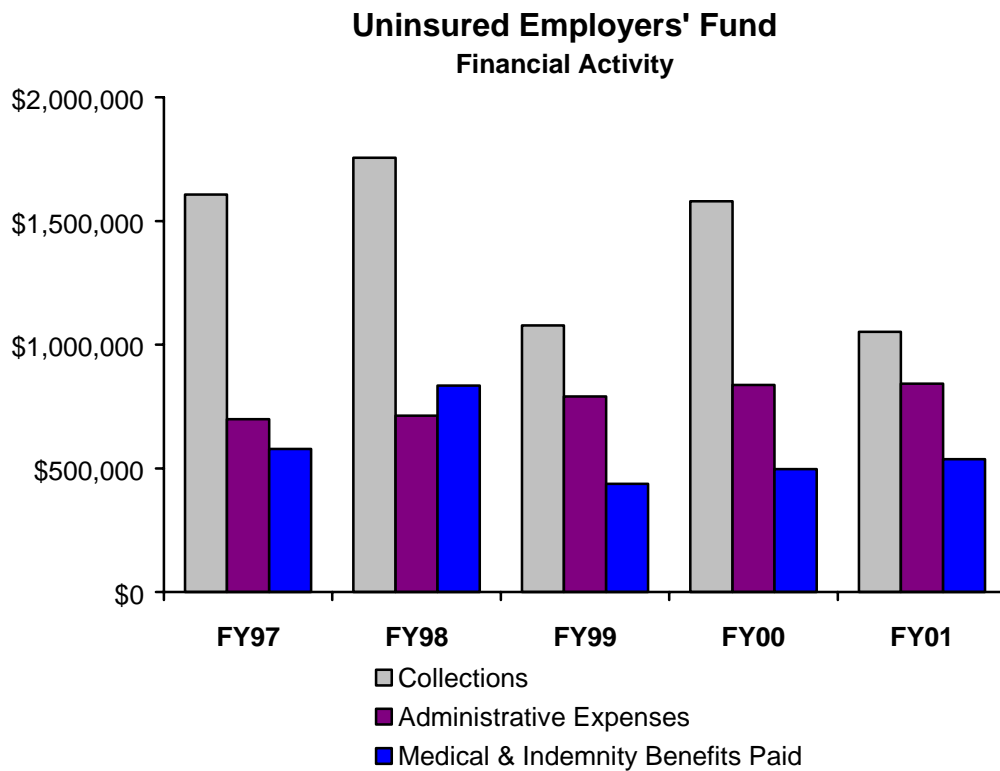
	FY97		FY98		FY99		FY00		FY01	
	Payments	Assessment	Payments	Assessment	Payments	Assessment	Payments	Assessment	Payments	Assessment
Plan 1	\$162,380	\$85,481	\$49,938	\$6,134	\$134,228	\$19,804	\$42,200	\$0	\$18,819	\$0
Plan 2	\$36,116	\$121,710	\$74,675	\$11,425	\$101,196	\$102,699	\$16,195	\$0	\$9,580	\$0
Plan 3	\$71,190	\$395,185	\$112,575	\$20,399	0	\$22,524	549	\$0	\$170	\$0
Total	\$269,686	\$602,376	\$237,188	\$37,958	\$235,424	\$145,027	\$58,944	\$0	\$28,569	\$0

Uninsured Employers' Fund

The role of the Uninsured Employers' Fund (UEF) is to ensure employers comply with required workers' compensation laws so employees are properly covered by insurance. If employers are without appropriate workers' compensation insurance, the UEF provides benefits for their injured employees and pursues reimbursement from the uninsured employers.

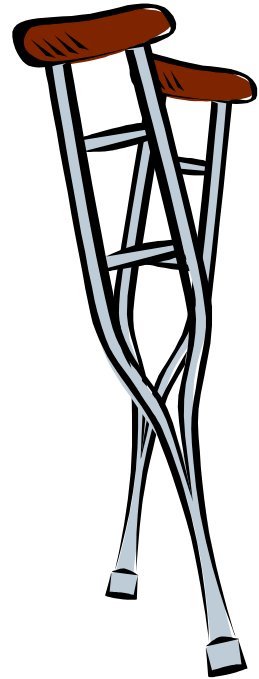
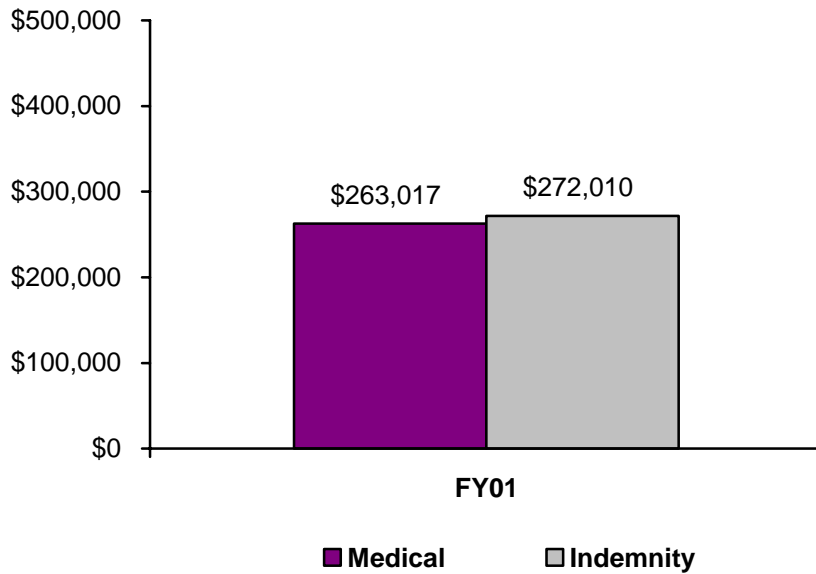
The UEF Unit also levies and collects penalties for the time the employer was uninsured. UEF may require the uninsured employer to pay a penalty to the fund:

- up to double the insurance premium that would have been paid by the employer or
- \$200, whichever is greater.



Uninsured Employers' Fund Financial Activity by Fiscal Year					
	FY97	FY98	FY99	FY00	FY01
Collections	\$1,606,177	\$1,755,694	\$1,077,146	\$1,580,000	\$1,051,941
Administrative Expenses	\$699,086	\$712,692	\$790,077	\$836,664	\$842,702
Medical & Indemnity Benefits Paid	\$577,896	\$834,430	\$436,992	\$497,992	\$536,464

UEF Indemnity and Medical Payments in FY01



UEF Indemnity and Medical Payment By Fiscal Year

	FY97	FY98	FY99	FY00	FY01
Medical	\$254,090	\$454,766	\$143,807	\$168,534	\$263,017
Indemnity	\$323,806	\$379,664	\$293,185	\$328,667	\$272,010
Total	\$577,896	\$834,430	\$436,992	\$497,201	\$535,027

- The Uninsured Employers' Fund recorded claims from 87 workers who were injured in FY01 and whose employers were uninsured.

Occupational Safety & Health

The Safety & Health Bureau is responsible for administering the state's occupational safety and health laws. This involves mandatory workplace safety inspections in public sector workplaces (city, county, state governments and schools), coal mines, and sand and gravel operations. The Bureau's goal is to prevent employee illnesses and injuries by enforcing the intent of the various safety statutes and to support federally funded Occupational Safety and Health Administration (OSHA) voluntary programs in the private sector. The ultimate goal of all activities of the Safety Bureau is to reduce worker injuries and illnesses and lower workers' compensation premiums. Non-mining private sector employers are covered by federal OSHA with regard to inspection activities.

The Safety & Health Bureau inspects public workplaces and issues orders for correction of hazards to provide a safe work environment. Federal OSHA preempts inspecting private places of business. Safety and health consultations are available to private employers upon request, thanks to a grant from OSHA.

The Federal Mines Safety and Health Administration (MSHA) has provided the Safety Bureau with a training grant to conduct safety training for employers and employees of small mines. Mine operators are assisted in developing acceptable training plans so that their employees recognize hazardous conditions in a mining operation.

Mining inspections are conducted on surface and underground coal mines and sand and gravel operations. These mines are required to comply with safety and health standards contained in the mine safety statutes.

The Safety Culture Act, passed in the 1993 legislative session, is designed to foster safe work practices, beginning with the students in Montana's schools and progressing through to employers. Potential employees are taught as early as middle school the effect unsafe work practices can have on their lives and their workers' compensation insurance premiums. Under the act, employers in Montana are now required to implement an education-based safety program. Employers with more than five employees are required to have active safety committees.

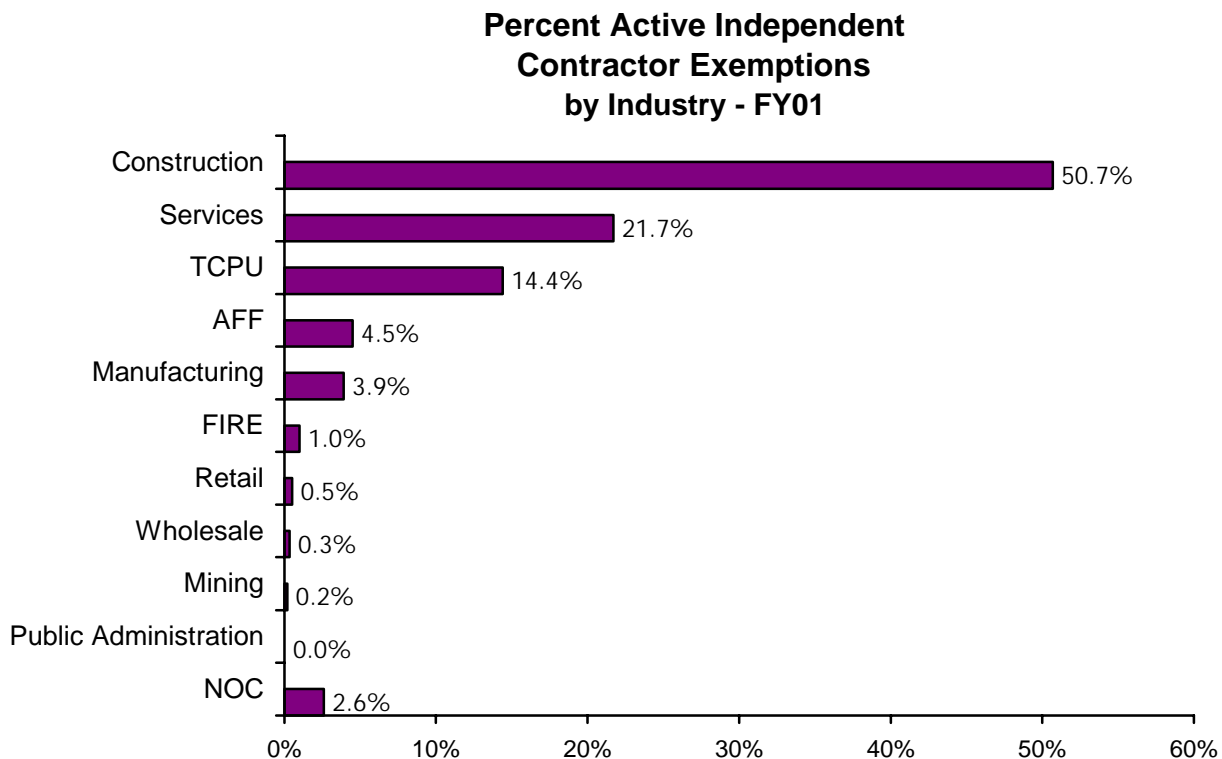
Safety & Health Activities - FY01

Occupational Safety & Health						Employer Sector				
	Public					Private				
	FY97	FY98	FY99	FY00	FY01	FY97	FY98	FY99	FY00	FY01
Mandatory Inspections Performed	253	169	243	250	341	--	--	--	--	--
On-site Inspection Performed	--	--	--	--	--	109	175	169	207	142
Requests for Technical Assistance	307	280	344	292	479	291	409	437	356	438
Formal Training Sessions Conducted	60	54	34	24	44	42	44	34	61	45
Workers Trained	1,676	1,797	757	572	1,048	991	1,236	1,404	608	598

Mining Section						Metal/Nonmetal				
	Coal					Metal/Nonmetal				
	FY97	FY98	FY99	FY00	FY01	FY97	FY98	FY99	FY00	FY01
Inspections Performed	88	79	42	32	38	212	192	146	160	172
Mine Training Sessions Conducted	9	22	17	11	19	96	83	78	61	79
Workers Trained	225	705	770	156	302	1,134	1,144	844	864	1,436
Coal Mine Foreman Training Sessions Conducted	7	10	2	1	--	--	--	--	--	--
Coal Mine Foreman Trained	47	82	18	11	9	--	--	--	--	68

Independent Contractor Exemptions

Independent contractor exemptions are issued to individuals for a three-year period. All who submit a signed affidavit, stating they are in an independent trade, occupation, or profession and are free from control, will receive an exemption certificate from the department. Individuals need to submit a \$25 fee with their signed affidavit. The exemption certificate documents that the individual is an independent contractor in a specified field. The Workers' Compensation Court has affirmed that an individual's status as an independent contractor is conclusive when that individual holds an independent contractor exemption. An independent contractor is not eligible for workers' compensation or unemployment insurance benefits.



Notes:

AFF = Agriculture, Forestry & Fishing

TCPU = Transportation, Communication & Public Utilities

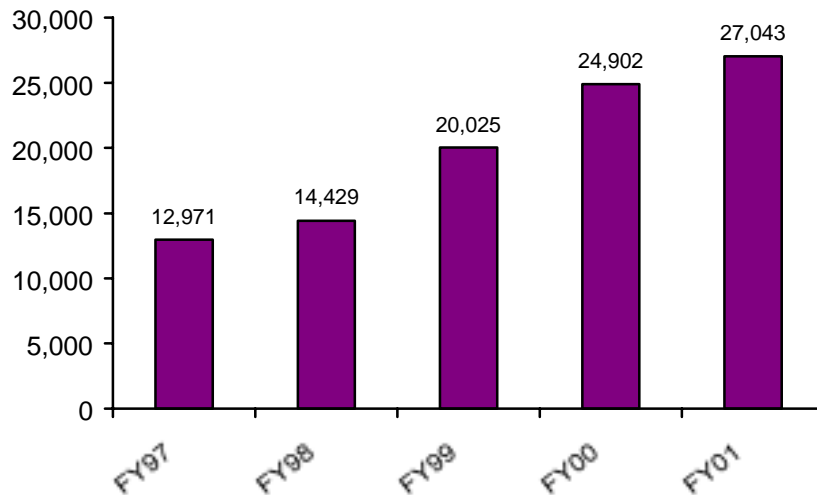
FIRE = Finance, Insurance & Real Estate

NOC means Not Otherwise Classified

* Refer to Industry Division under Methodology in the appendix for an explanation.

During FY 2001, the department received 7,455 new independent contractor applications and 4,329 renewals. There were a total of 27, 043 active independent contractor exemptions during this time.

**Number of Active Independent Contractors
in FY01**



The number of active independent contractors (ICs) has increased since the exemption was first enacted in 1983. The majority of the exemptions continue to be in the construction industry (51%), the service industry (22%), and the transportation industry (15%).

This year, the department implemented an audit process for renewal applications; to ensure only those applicants that are independent contractors are receiving the exemption. Those audited may be asked to provide proof of tax filing as a business, proof of servicing more than one contract, proof of advertising, and/or proof of insurance. They may provide any other information they have that verifies they are truly independent contractors. All applicants are aware when they sign the affidavit that they may be requested to provide this information.

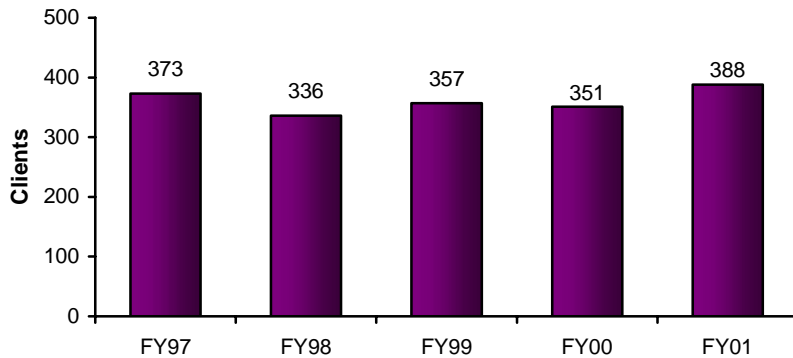
Professional Employer Organizations

Professional Employer Organizations (PEOs) are required to be licensed by the Department of Labor and Industry prior to operating in Montana.

There were 23 licensed PEOs who leased employees to 388 Montana businesses for FY2001. Approximately 2,554 employees were leased from PEOs in Montana.

Please note: this report has changed from calendar year to fiscal year and all years have been adjusted accordingly.

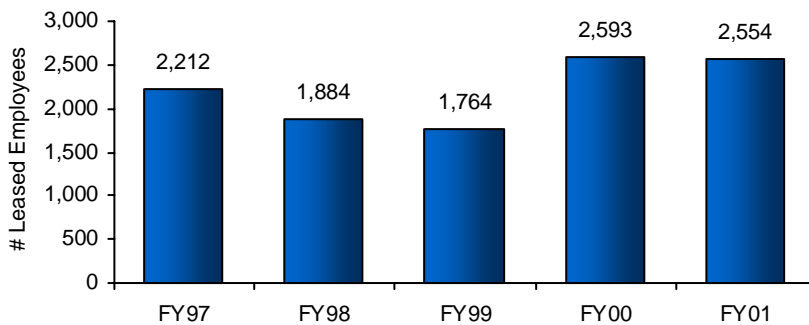
Number of PEO Clients
by Fiscal Year



Data Source: Points (Department of Revenue, Unemployment Insurance Division)

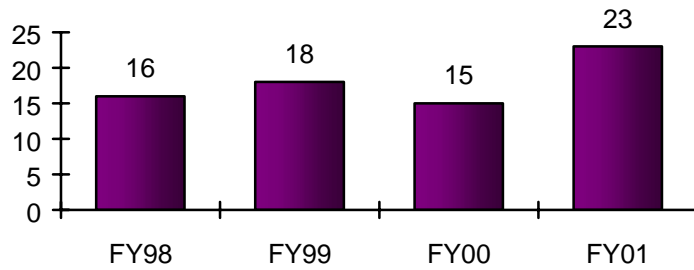
Number of PEO Clients	
Fiscal Year	Count
1997	373
1998	336
1999	357
2000	351
2001	388

Average Number of Leased Employees
by Fiscal Year



Average Number of Leased Employees	
Fiscal Year	Count
1997	2,212
1998	1,884
1999	1,764
2000	2,593
2001	2,554

Licensed PEOs by Fiscal Year



Licensed PEOs By Fiscal Year	
Fiscal Year	Count
1997	4
1998	16
1999	18
2000	15
2001	23



